

Department of Labor

Office of Labor-Management Standards

Public Submission by Frank Ricci—former two-term treasurer and two-term president of New Haven Fire Fighters IAFF Local 825—supporting proposed improvements and advocating for more stringent changes to increase union transparency.

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Labor Organization Annual Financial Reports: LM Form Revisions & Proposed Rule Change

Every year, union workers somewhere in the country receive a sheepish email with a demoralizing announcement: there's been a financial scandal among their leadership. The [U.S. Department of Labor tracks](#) hundreds of these cases each year, with the DOL recording 123 enforcement actions in 2020 alone. This number is astounding and represents charges ranging from wire fraud, falsification of union records, money laundering, and embezzlement. Bad as those crimes are, the DOL's yearly report on federal crimes by union officials doesn't measure the damage these breaches of trust cause among the rank-and-file.

These reports also fail to track noncriminal actions that are still ethical violations. Misuse of funds escapes the gaze of law enforcement and the Department of Labor because this activity is not technically classified as embezzlement. Every year, crimes that are settled "in-house" through quiet repayments or resignations go unreported to avoid public scrutiny.

The biggest frauds and embezzlements occur in the highest ranks of union leadership. When the president of the International Association of Fire Fighters (IAFF), [Harold Schaitberger](#), was accused of taking millions from firefighters' pensions this year, I and my fellow IAFF members were frustrated but not surprised.

Thankfully, the Department of Labor, FBI, and other federal agencies have commenced an investigation into Schaitberger. I served as treasurer and then president of a union local in a large city. I know firsthand that union leaders seldom favor transparency. Instead, they add layers of bureaucracy to hinder members' ability to see how their dues are being spent. But members have a right to know.

As the singer John Mayer said, "If you own the information you bend it all you want." Most union bylaws give each member the right to access and review the union's financial documents. Even union locals that don't specify an individual's right to transparency still require their treasurers to issue a financial report at each meeting. Unfortunately, a reading of the treasurer's report at a union meeting isn't signed under the penalty of perjury. Union members are often left in the dark and have no reliable way to request the information, or they are too intimidated to request it. Members' concerns are often dismissed, with leadership explaining that all the books are audited by a third party to provide reassurance that dues are being spent properly. However, third party audits are not always as complete or credible as you would think.

I used to believe a financial audit was the cure-all to root out impropriety and corruption in unions, but I was wrong. I was recently involved in a [lawsuit](#) with the help of the Fairness Center against my statewide union affiliate (Uniform Professional Fire Fighters of Connecticut UPFFA Local 7). During the course of the hearing, attorneys uncovered—as the judge [noted](#)—, “questionable expenditures from the state union, including personal travel that may not have been reimbursed, suspicious ‘mistakes’ with PAC fund balances, and the admission of a plainly improper loan the state union took (and repaid) from its charitable affiliate.” Even after the records were audited, irregularities remained, such as suspicious mileage and expense charges, including travel expenses for the union president’s girlfriend to the St. Croix, Miami, and Hawaii on the members’ dime—all uncovered in open court. There was no direct evidence he ever repaid the union, and despite the union filing LM2s, there was no Department of Labor investigation.

It is my hope that with the proposed changes, transgressions that may escape review now will be flagged for proper investigation.

Audits are not an exact science. They are only as good as the information offered to the company conducting the audit—and the methodology that company uses. Smart accountants can make complex records look presentable to union members, even when they aren’t.

I support all changes that the Department of Labor proposes that increase transparency and require reporting to be more robust. I do believe that many thresholds are too high and that the proposal to keep up with inflation is unwarranted. All financial thresholds should be reduced to \$1,000, and reporting requirements should be lowered, or at a minimum be kept at \$250,000. I also believe there is a need to require that the date of the unions’ operable bylaws should be included, and that a whistleblower policy should be in place.

It is important to realize Congress in a bipartisan effort enacted the LMRDA in 1959 with a goal to increase union democracy, discourage fraud, and allow members to hold leaders accountable in order to reduce union corruption, but it has fallen significantly short of its goals. It has been over 60 years since this law went into effect, and there have been over 80 enforcement actions this year alone. How many other corrupt or unscrupulous union leaders are still preying on unsuspecting union members by betraying their trust and picking their pockets?

The Department of Labor can play a role in ensuring union members know that LM-2s are available by requiring unions to post all LM reports on the union website in a conspicuous place that members can easily access. It is critical to realize LM2s were designed for the benefit of the union member! Still today many union members are unaware that their unions file with the Department of Labor. The crux of this bipartisan law is to keep union members informed for the sake of union democracy and transparency in accounting. It allows members to take legal action against union bureaucrats that fail in their fiduciary duty to their members.

Another area of opportunity for the Department of Labor is the end-of-year summary for the union’s credit card, which lists every credit card expense that union leadership made using member dues that year. This statement provides members with true transparency and allows honest questions to be asked, such as: Did your leadership jet around the country on “business meetings,” staying in five-star hotels? Did your union host the yearly “labor conference” in Tahiti? Did union leadership rack up thousands of dollars in restaurant and bar tabs on the regular? Were member dues used for

playing golf or tickets to Broadway plays, concerts, and sports games? Members can request these credit card records and find out what their leadership is really up to.

Union members get frustrated over financial forms because they lack a simple understanding of them. Therefore, in closing, I would like to see three things: union financial statements just like the year-end credit card summaries, a record of reimbursements received by unions in conjunction with the actual costs incurred (including those from charities), and itemization of all union money spent.

In Liberty,

Frank Ricci